

Approved For Release 2003/04/23 : CIA-RDP90-00610R000100160031

The current interpretation of the Bay  
 of Pigs Act have forced this company to  
 draw fire at present from the  
 same quarters and other persons who  
 have been and were participating from Amer-  
 ican interests in support of American wage  
 wars, American enterprise and in con-  
 cord with the latter spirit and intent  
 of the Bay American Act. It is clear that  
 subsequent to the Bay American  
 are forcing American producers to in-  
 crease and accelerate from foreign pro-  
 ducers in order to compete for sales to  
 Federal Government under a contract  
 with the said instance before the  
 said Government so that to purchase  
 supplies are produced in the United  
 States and if supplies also produced in  
 foreign states.  
 It is pointed out under the Bay American  
 contract that the contract for  
 hydraulic engines for the Big Bend  
 project referred to in the B-139973, be-  
 longed to the American bidder. The  
 purpose of the foreign bid in this instance  
 was a pretense which nullified the  
 American bid.

out our complex--and their controller  
sial--responsibility.

Members during the process as a convenient reference to committee actions during the 1st session of the 96th Congress.

UNITED STATES DEPARTMENT OF HEALTH, EDUCATION AND WELFARE  
BUREAU OF THE CENSUS

The Federal employees health benefit program is a part of the President's Library, February 15, 1955, is one of the most beneficial employee measures approved in any recent Congress. There is no other example of more constructive legislative deliberations than demonstrated by our committee in making this extremely complex and controversial legislative and working out a bill that has the unanimous support of every committee member, the whole-hearted agreement of employees organizations and of private enterprise that will provide the services and the support of the administration.

This new endeavor establishes a new paradigm within the Government and the civil servant. Civilian employees and their organizations against the military establishment and financially support the costs of medical services. Employees will continue to furnish protection at a very low cost from the collective expense of normal medical care and often crushing expense of major or catastrophic illness or injury. The program also improves the competitive position of the Government in the recruitment and retention of competent civilian personnel.

addition of the health program to the existing fringe benefits package for Government employees—which already includes retirement and survivor annuities, group life insurance, annual and sick leave, pay for job-connected injury or death, uniform allowances and other benefits—places the Government on a substantially equal level with progressive private enterprise in respect to employee fringe benefits.

Basic and extended health protection is made available to 2 million employees and their dependents—some 4.5 million individuals. There will be free choice among four separate health plans, including a service benefits plan, such as the Blue Cross-blue Shield organizations offer, an indemnity plan, similar now offered by certain insurance companies, any one of several Federal employee organization plans, and a comprehensive medical plan on either a group-practice or individual-practice prepayment basis. The plans will cover a wide range of hospital, surgical, medical, and related benefits. Both the service and the indemnity plans will include at least two levels of benefits. Thus, each employee will be able to select the plan best suited to his own needs.

The Government's contribution generally is 50 percent of the cost, but not less than \$125 or more than \$1.75 bi-weekly for an individual employee and not less than \$3 or more than \$4.25 bi-weekly for an employee and family, subject to certain special exceptions. Employees need not pass any physical ex-

simulation and, in the event of separation from Government service, that person shall be covered by a private plan without physical examination. No person may be excluded because of race, sex, health status, or— at time of first opportunity to enroll—age.

This legislation enacts the Federal employees' fringe benefits program as a minimum \$22 million annual benefit program with the Government and the employees sharing the cost. It will be regarded among employees as the equivalent in value of another liberal pay increase. On top of the 10 percent granted last year.

CONSERVATION OF REAL ESTATE

The committee developed and approved H.R. 5732, now on the President's desk, to correct inequities in laws which deprive certain Federal employees of the right to a workday off when a holiday falls on Saturday by making an employee's day off in lieu of Saturday. The bill requires that every employee receive a workday off for that day and the following holiday days except when the day of the week on which a holiday may fall.

OVERSEAS CHINESE BANK

Public Law 88-61 created a new department of personnel training for teachers in schools, established the Department of Defense for dependent of the Department's personnel in various areas which is comparable to the school systems in most public primary and secondary school jurisdictions in the United States. This legislation was developed through the Civil Service Subcommittees studies in cooperation with the Department of Defense and placed in effect as Executive recommendations. It is also a direct implementation of a unanimous committee recommendation contained in House Report No. 3796, 84th Congress.

This act eliminates serious problems in the compensation and employment conditions of overseas teachers which stem primarily from the fact that they have been employed under civil service laws and rules designed for full-time classroom employees—not for the teaching profession. For example, although the school year lasts only 9 or 10 months, overseas teachers' salaries have been on an annual basis, as in the case of the usual classroomed employees, so that they were being paid only nine or ten-twelfths of the annual salary. They have been subject to the Annual and Sick Leave Act, which is entirely unworkable in view of the school recess periods at Christmas and Easter and in the summer months. They have been receiving no pay or only of an unusual over as differentials and allowances during these recess periods.

Public Law 26-61 removes these teachers from the Classification Act of 1949, the Federal Employment Pay Act of 1949, the Annual and Special Grade Act of 1951 and other unsuitable laws and regulations. They will have a separate salary and allowance system adapted to the requirements of the school program and consistent with that followed in the school system in the District of Columbia. No overseas teachers' salaries will

ward of the Committee on Post Office and Civil Service. During the 1st Session of the 65th Congress.

REMARKS ON REMARKS

HON. TOM MURRAY

IN THE HOUSE OF REPRESENTATIVES  
Monday, September 14, 1932

Mr. MURRAY. Mr. Speaker, the House Post Office and Civil Service Committee in the 1st session of the 86th Congress has established a remarkable record of continuing progress with respect to Federal employee and postal legislation. The Committee record in behalf of Federal employees is especially noteworthy in the light of the major employee benefits enacted in the closing session of the 85th Congress, including a 10-per-cent retroactive salary increase for over 400,000 postal employees and nearly 1 million classified employees; a 10-per-cent cost-of-living annuity increase for 20,000 widows and 20,000 survivors and members of fringe benefits. The additional employee benefits granted in the present formance are particularly significant when viewed against this backdrop of Federal salary increases and other benefits which they will be added.

The members of the committee as a whole are a source of confidence, interest, and fine cooperation. I am very proud of the Post Office and Civil Service Committee, of the members, and as chairman of the committee I desire this opportunity to express to each member my deep appreciation for a job well done. The members have been most loyal and conscientious in their attendance at committee meetings and in the close attention they have given to committee legislation and special studies. In my judgment we have never had a committee membership more able, more informed, and more devoted to carrying

*BEST COPY*  
*Available*

This translation is the first of its kind to indicate the structural changes that occur in a muscle preparation when it is exposed to a high level of oxygen.

...at the veritable flood of violence that is bombarding homes, schools, children, men, and women of the Nation.

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The bill also is a tribute to the unflinching zeal and the two-front attack of our Postal Operations Subcommittee on the iniquitous trade in window pictures, movies, and the like--now flowing through all avenues of commerce--which has become a public scandal. The subcommittee, under the able chairmanship of the distinguished gentleman from Pennsylvania, Representative KATHYNS E. CARMAN, has developed and placed in effect a two-phase campaign to protect the public, as explained in the later discussion of the subcommittee studies.

H.R. 7378 makes two important changes in the law. It extends from 20 days to 45 days the time in which the Postmaster General may detain mail addressed to any individual or firm which he finds sending obscene or fraudulent matter through the mails. The existing 20-day period is entirely inadequate. The only way to stop a purveyor of filth is to cut off the incoming flow of his mail. His ventures, as will be done under the bill, The second change authorizes detention of mail when "the public interest" is affected. As to the nature of the "public interest," the matter giving rise to the detention order, in lieu of the existing authority to detain mail when necessary "for enforcement" of the statute including obscenity from the mails. This "public interest" standard is tried and proved one under which responsibility for the enforcement of other public protection laws, such as the Securities and Exchange Act, have been carried so successfully in the public interest.

POSTAGE RATES FOR BOOKS AND LIBRARY BOOKS  
H.R. 4595, pending in the Senate, retains and clarifies postage rate provisions under which books, library books, and related materials are mailed at special low rates. Either the third- or fourth-class rate or the book rate, whichever a carrier will apply to mailings of books and certain other educational matter. The book rates are extended to sound motion pictures in lieu of the existing application to phonograph recordings. Periodicals may be mailed at the book rates in either bound or unbound form. Guides or scripts may be mailed as books and strips at the book rates. Certain meaningless language is removed from the book and the library book postal rate provisions.

THIRD-CLASS MAILING OF OLD STICKS AND STRIPS

Public Law 85-58 revises the minimum postage charge for third-class mail of old sticks or strips from 6 cents to 3 1/2 cents. This revision eliminates serious hardship imposed by the 6-cent rate on old stick manufacturers, nurseries, and other small businesses and also removes difficult operating problems arising in the Postal Establishment because of the 6-cent charge.

#### OTHER LEGISLATION

H.R. 163, sent to the White House September 9, credits service--for retirement purposes--of U.S. commissioners,

who are compensated by fees, on the same basis as to credit such service to retired officers and men.

H.R. 8241 eliminates certain inequities which have operated to deprive former Members of Congress reemployed in appointive positions of their earned retirement annuities. Conditions affecting reemployment of former Members of Congress are placed on substantially the same basis now provided by law for other retired Government employees.

H.R. 6830, pending in the Senate, clarifies the law relating to sworn statements of publishers having second-class mail permits and extends to magazines the requirement--now applied to most newspapers--that the sworn statements show average number of copies of each issue sold or distributed to paid subscribers. The publishers support the bill, which will facilitate postal operations.

H.R. 5571, pending in the Senate, makes career postal employees with 10 years of service eligible for postmasterhips at their offices if of better quality than those they replace outside the office or the office delivery route.

Public Law 85-169 authorizes credit for postal revenue of commissions on telephone in post offices amounts received by employees for business travel expenses, and substance when subpoenaed to appear officially in private litigation, and collections for fees of first-class registered matter not restored to the original owner.

Public Law 85-33 facilitates the training of postmasters by specifically authorizing such training under the Government Employees Training Act. Public Law 85-507.

Public Law 85-122 eliminates from Government salary laws an obsolete provision which is contradictory to existing budget and appropriation procedures. The provision eliminated purported to authorize salary costs, incurred in part in one fiscal year and in part in the following fiscal year, to be charged to the following year appropriations.

#### SPECIAL STUDIES AND INVESTIGATIONS

##### MANPOWER UTILIZATION SUBCOMMITTEE

The Subcommittee on Manpower Utilization has continued its study, begun in the 85th Congress, of the contracting out of Government responsibilities for administrative and management services, especially in the research and development of guided missiles. A preliminary report issued by the subcommittee in April points out several improvements made by the departments and agencies since the subcommittee began its investigation in November 1957. For example, the report shows that a recent Navy reorganization has corrected overlapping and duplication found within the Department of the Navy missile program at the time of the initial investigation.

Subcommittee hearings last December pointed up areas of possible conflict of interest in the Air Force ballistic missile program. The Secretary of the Air Force subsequently issued policy statements setting forth guidelines for research and development contractors dealing with hardware-producing contractors.

Among several other needed improvements, Department of Defense officials have revised so as to be more flexible and thereby reduce personnel turnover in several key job areas of the military departments having primary responsibility for missiles was found by the subcommittee to be excessive.

As a continuation of the subcommittee's analysis of the missile program, the subcommittee chairman on February 12 requested the General Accounting Office to conduct an investigation and furnish answers to several basic questions raised by the subcommittee in its study of utilization of scientists and engineers in the missile programs of the Defense Department. Close liaison has been maintained with the General Accounting Office in the development of this information and, when it is received, the subcommittee plans to issue a final report on the utilization of manpower in the missile programs.

Public hearings were held in February extending the scope of the study and emphasizing the preliminary report on the utilization of manpower in the missile program. The hearings, which resulted in House Report 858, 85th Congress, related primarily to the Government's policy of contracting out the training of military personnel.

This report indicates a policy trend in the field of Government contracting which if uncorrected may well lead to avoidance of primary responsibility imposed on Government departments and agencies. The growing habit of responsible Federal officials to fall back on the contracting device whenever faced with a difficult or unpleasant task is a marked departure from fundamental principles relating to the performance of duties and responsibilities of our Government. This tends to create waste and extravagance and undermines the morale of the career Government employees.

The report recommends that the Defense Department operate its own training program for personnel assigned to military assistance and advisory duties and reappraise its policies relating to contracting for management or personnel services and for the performance of functions historically performed by the Department.

Working with representatives of the Department of Defense, several civilian departments, and the General Accounting Office, the subcommittee developed a new procedure, in the form of a manpower questionnaire, for determining employment trends and for evaluating manpower programs and policies at local field activities. The General Accounting Office will use the manpower questionnaire in the course of its regular audits of the activities. This manpower questionnaire should provide considerable basic information that previously has been lost through editorial processes in the chain of command. Currently the manpower audit is being conducted by the General Accounting Office in three military installations and two civilian field activities.

During July the subcommittee held public hearings as a further continuation



The second, for the establishment of an effective and suitable compensation and employment system for teachers and

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personnel in schools conducted by the Department of Defense. The Department's overseas personnel was placed in effect by Public Law 85-625, discussed earlier. This act provides an up-to-date school system for the overseas teachers and other school personnel along the lines of the District of Columbia primary and secondary school system, and is expected to greatly facilitate and improve overseas school activities while at the same time reducing personnel turnover and recruitment problems to a minimum.

The bill, for clarification and coordination of the then widely varied policies relating to allowances and differentials for the several categories of overseas Government employees of the Government, embodied in H.R. 7668, approved by the House September 8, 1959, is noted earlier. This bill will improve the operation of critical defense and other overseas activities of the Government through the establishment of a coordinated and reasonable uniform system of compensation, American and foreign work expenses, and for hardships and inconveniences incident to their overseas assignments.

The fourth primary area of recommendations for the establishment of a coordinated medical and health program for American citizens employed by the Government abroad, is embodied in H.R. 7669, several companion bills in which final hearings were completed during the last session of the 86th Congress. Like this bill, like the other committee recommendations, is approved by the administration, early action is expected in the second session to place the proposed medical and health program for overseas employees in effect so that these employees will have appropriate medical services and facilities on a reasonably uniform basis.

The subcommittee report and recommendations were highly commended in a statement the White House, in these words:

It is to be said that this was an excellent report, carefully prepared and reflecting a comprehensive review of the facts, figures and overseas hearings and in the end, I believe that the liaison between our office and both my White House and the Civil Service Commission has been a fine example of cooperative effort between legislative and executive branches of Government in developing sound legislation for the better personnel administration.

#### HEALTH AND GOVERNMENT STATISTICS SUBCOMMITTEE

The Subcommittee on Census and Government Statistics held hearings during the 1960 census, and the new techniques developed by the Bureau of the Census to utilize modern high-speed electronic data-processing equipment to produce faster publication of the 1960 census of statistics at lower cost. It is anticipated that the bulk of the reports will be issued at dates 12 to 18 months ahead of those corresponding reports 10 years earlier.

The Director of the Census Bureau described an auxiliary electronic device called the FOSDIC, standing for the initial letters of film optical sensing device, for input to computers. This piece of

equipment will be used to microfilm questionnaires, read the positioned marks entered by the enumerators, and transcribe the information to tape in the form of magnetic spots, ready to be read by the electronic computer. The FOSDIC tape will then be placed in the electronic computer, where the results will be reviewed, tabulated, and finally transferred to other tapes for use on high-speed printing equipment.

Hearings were also held on the use of electronic data-processing equipment in other Government departments and agencies. The subcommittee hearings disclosed that there will be an increase of more than 300 percent in the number of Government employees engaged in office automation in the next 4 years. The present 4,000 employees engaged directly in the use of electronic data-processing equipment will increase to 13,000 by 1963.

Officials of the Bureau of the Budget and the General Accounting Office testified that they saw no danger that the growing trend to office automation will mean large-scale layoffs for Federal workers who have no experience of training in automation. They indicated that more often office automation has been adopted as a matter of necessity in order to get tasks done that could not be accomplished otherwise, rather than to get current work done by fewer employees.

It is contemplated that public hearings will be held at a later date, at which time representatives of business and leaders of industry and labor will be given the opportunity to testify with respect to the impact of Government reporting requirements. The subcommittee's approach to this inquiry will be with a view to reducing the cost to Government of obtaining and processing information and minimizing the burden upon business enterprises and the general public.

Representatives of the Bureau of the Budget, Bureau of the Census, and other Government agencies will be called upon to explain the part their agency plays in the Government's statistics operation.

It is also contemplated that further hearings will be held regarding the use of electronic data-processing equipment by Government departments and agencies. Inquiry will be made as to the position taken by the Bureau of the Budget on the findings and recommendations developed for the Bureau by the private management firm in its study of personnel problems of the U.S. Government in the adoption and use of electronic data-processing systems.

The subcommittee undertook a study of all statistical activities in the Federal Government. Inquiry is being made as to how many different agencies are asking the same people for identical or similar information. Information will also be developed to indicate the number and types of reports that businesses are required to submit to the various Government agencies.

Special attention will be given to eliminating outdated reports which may at one time have served a useful purpose but which are no longer of use. The

study will include development of standards and the cost involved, of all departments and agencies in the collection, compilation, preparation, and publication of other reporting of statistical data. The study will include not only those statistical activities which the department or agency conducts directly, but also those conducted by firms or organizations outside the Government under contractual arrangements.

The Federal statistical system is distinguished by decentralization and complexity. Although the Bureau of the Census is a large, well-equipped organization with a variety of statistical functions, it has by no means a monopoly on data collection and compilation. Over 60 bureaus, services, commissions, administrations, boards, and other agencies have important statistical functions. In addition, other agencies, while not considering their activities as statistical, collect or compile data for administrative, regulatory, or operating purposes. The serious crisis of the public burden of Government reporting requirements upon business must recognize that a middle ground is to be sought. It must be recognized that the Government and the public, including business itself, need detailed and timely statistical information, and that at least some of it can be collected efficiently only by the Federal Government. However, unremitting attention must be devoted to limiting the burden to the least amount consistent with the needs and benefits. In this connection the subcommittee is in the process of drafting a report entitled, "Business Reporting Requirements of the Federal Government."

#### A Year of Progress

#### EXTENSION OF REMARKS

OF

HON. THOMAS J. LANE

OF MASSACHUSETTS

IN THE HOUSE OF REPRESENTATIVES

Monday, September 14, 1959

Mr. LANE. Mr. Speaker, under leave to extend my remarks in the Record, I wish to include a very interesting editorial which appeared in a recent issue of the National News, official newspaper of the Veterans of World War I of the U.S.A., Inc.:

#### A Year of Progress

The official year for National Veterans of World War I, Fred J. Hollenbeck, of the Veterans of World War I, comes to an end in September. During the 12 months that have elapsed since the national convention in Springfield, Ill., last year, the group has had a year of new activity.

As of August 31, the membership of the Veterans of World War I stood at 144,000, a gain of nearly 30,000 members. During the same period of time, the number of deaths amounted to 1,871, an increase of 514 over the 1958 total. Three new departments were instituted bringing to 48 the State departments now functioning.

True, the group did not fare too well at the legislative front. The passage of H.R. 7650 was strenuously opposed by the

of World War I. But in this instance, the cards were stacked against the measure from the very beginning. The measure was rammed through the House of Representatives under a special rule which virtually cut off debate. When the bill came to the Senate, only Senator Wayne Morse of Oregon put up a determined fight against the proposal. He could enlist but 13 other senators to go along with his amendment which would have granted veterans of World War I a pension of \$20 per month at age 65, subject to income limitations.

This action points up most effectively the drastic need for additional members. Only an increased membership can the veterans of World War I impress the Congress on matters of legislation. An auspicious start has been made by Commander Hollenbeck and his national chief of staff M. George Deutsch, who assisted by other national officers and the entire membership of the group.

Many persons skilled in organization work feel that what is needed is a professional organizer who can go out at the barracks level and stimulate a grassroots recruiting drive. An activity of this nature costs money, but if successful, would return countless benefits for the rest of the promotion. Undoubtedly, a variety of proposals will be offered at the committee meeting and will be considered seriously by the delegates to the convention.

Congratulations to the national commander and his national officers for a banner year.

### The Tight Money Policy—Who Loses and Who Gains

#### EXTENSION OF REMARKS

#### HON. GEORGE M. RHODES

IN THE HOUSE OF REPRESENTATIVES  
Monday, September 14, 1959

Mr. RHODES of Pennsylvania. Mr. Speaker, the Eisenhower administration's fiscal and debt management policies have been extremely costly to the American people. Tight money, high interest rate policies have picked the pockets of the average citizen and the small businessman and resulted in windfall profits to large banks and other financial interests. These administration policies have produced a topheavy economy, caused inflation, curtailed our economic growth, and brought recession, unemployment, and unnecessary human suffering.

Under leave to extend my remarks, I include the following analysis of the losers and gainers from the administration's tight money policy, prepared by the National Farmers Union and appearing in their Washington newsletter for September 11, 1959:

#### THE TIGHT MONEY POLICY—WHO LOSES AND WHO GAINS

Congressional debate about raising interest rates on Government bonds is highlighting a critical economic policy which affects nearly everyone in the country. Farmers, who always need credit to carry on operations, have been hit directly by higher interest rates. They have also been hit indirectly, along with a great many other people. And the administration's tight money policy is getting even tighter, not looser.

Here are the essential facts on this complicated subject. Some of the figures are so

big that they are almost incomprehensible. Approved For Release 2003/04/23 : CIA-RDP90-00610R000100160031-6

#### HOW DID IT ALL START?

Nine days after President Eisenhower took office, his Secretary of the Treasury offered Government securities at 2½ or 2¾ percent to replace the previous rate of 1½ percent. This is how the Government regularly borrows money to meet expenses, but the increased rate added more than \$30 million to the U.S. taxpayers' bill for repaying the public debt. It was to be followed by a series of many similar increases which have not yet stopped (although suspended for a while a few years ago).

Why was it done? The explanation was that higher interest rates would dampen the economy, preventing any further inflation.

#### WHO DIRECTED THE POLICY?

The new Secretary of the Treasury was George Humphrey, industrialist and financier. His new deputy, who handles monetary policy, was W. Randolph Burgess, who had been board chairman of National City Bank, one of New York's largest, and long an advocate of higher interest rates.

Tight money is now a definite part of the administration's policy and is supported also by the independent Federal Reserve Board, which can help any President keep interest rates low if it wants to.

#### WHAT WAS THE IMPACT?

As soon as Treasury borrowings started paying more in interest rates, other rates were naturally raised to make them equally attractive to investors. A vicious circle was created which still prevails because the U.S. Treasury is the pacemaker.

In quick succession, rates were increased on private bank loans, farm price support loans, FHA loans to home buyers, GI housing loans, installment credit, municipal bonds and nearly everything involving an interest charge.

#### WHO WAS HIT?

Persons and institutions with money to lend received a windfall almost immediately because they could lend their money for a higher return.

The total benefits to banks, for instance, were estimated by Seymour Harris, noted Harvard economist, to be \$600 million a year from every 1 percent the Treasury succeeded in raising interest rates and ultimately \$1 billion a year by virtue of the general increase in total bank assets. (Nearly one-third of the public debt is loaned by commercial banks.)

This windfall was all the sweeter because it came at a time when bank profits were booming. U.S. bank income the year before (1958) reached a record high of more than \$5 billion.

Net profits, after taxes, also hit a new high—\$990 million, according to the Federal Deposit Insurance Corporation's official report. FDIC pointed out that the most striking earnings development was growth of income from loans (interest payments), which was 16 percent above the previous year and double what it had been 5 years before. This trend has continued.

#### WHO LOSES FROM TIGHT MONEY?

Anyone who is a debtor automatically loses from having to pay more for borrowed money—and some will have to continue to pay it for 25 years or so, even if rates on new loans go down. There are also other losers.

Taxpayers: This is the biggest group of losers.

In 1951, before the tight money policy, it cost taxpayers \$5.5 billion every year to pay interest on the national public debt. Eisenhower estimates it will cost \$8.5 billion in 1960—an increase of nearly one-half.

This is more than the entire cost of the Federal Government in any New Deal year before World War II.

Between now and the end of 1960, the Treasury plans to borrow about \$100 billion (mostly to pay off maturing bonds which were issued at the old, much lower rates). Each boost of one-fourth of 1 percent would add \$250 million to the cost of carrying the debt each year. In 20 years it would add up to \$5 billion.

An increase of 1 percent on the \$100 billion borrowing would add \$1 billion a year, or \$20 billion in 20 years, to taxpayers' burdens.

None of this increased cost gives the taxpayer any additional service. In fact it eventually increases the cost of whatever other services he must buy.

Effect on other debts: The Federal debt is only about one-third of all debts in the country—State, local, business, consumer, etc. The rest of the debt in the United States—over \$700 billion—is also affected.

The economy is paying \$8 to \$10 billion more this year for the use of money than it would have paid at 1952 rates. Before the tight-money policy started.

About \$100 billion of personal, corporate, State, and local debt will be negotiated between now and the end of 1960. An increase of only one-quarter of 1 percent on this will add \$250 million to the cost of this debt in the next year alone. A 1 percent increase would add \$1 billion the first year. This hits businessmen, particularly the smaller ones who cannot face securities or sell stock to raise capital.

It also hits community services by raising the cost of bonds for public improvements such as schools, highways, and sewers.

Effect on individuals: Every person who has borrowed money since 1952 (or does so in the near future) has been hit personally by higher interest rates. This group includes:

Home buyers: Interest rates on FHA financed homes have been raised several times. In 1952, a \$10,000 FHA loan at 4 percent for 25 years would cost a total of \$18,000 to repay (including \$5,000 interest). In 1959, the same loan—now cost 5½ percent at least—will cost a total of \$25,000 (of which \$5,000 is interest).

This increased cost of \$2,100 is roughly equivalent to one bedroom and a bath.

Corresponding increases have been ordered on GI home loans and have taken place in private home financing.

Installment credit: About 60 percent of all auto and major household appliances are bought on installment credit, especially by low-income families, of course.

A mere one-half of 1 percent increase, for example, on a \$2,000 balance on the purchase price of a car financed over 36 months would boost total interest payments from \$220 to \$240, or more than 9 percent higher.

Farmers: The USDA index of interest payable on an acre of real estate has risen from 104 in January of 1955 to 184 at the present time—a boost of four-fifths.

Loans available from the Farmers Home Administration (only when private credit is not available) have been boosted from 4 to 5 percent—one-fourth.

Cooperative credit institutions such as FCA's have had to follow the Government's lead and increase rates substantially.

Rural electrification loans are still fixed by law at 3 percent, but the administration is fighting for an increase which would add to the interest costs, pointing to the increased cost of Government borrowing as its reason.

#### NATIONAL POLICY

There are some of the hard facts involved in the current reluctance, if not refusal, of Congress to give President Eisenhower authority to boost the interest rates on most Government bonds even higher. Meanwhile, Congress has felt it necessary to let him increase the rate on ordinary savings bonds so that people will not continue to cash them in large quantities in order to

Legislative History? or  
for what purpose are  
you keeping these?



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## HISTORICAL BACKGROUND OF THE CENTRAL INTELLIGENCE AGENCY

48

This paper, a study of the history of the Central Intelligence Agency, including pertinent materials on World War II intelligence organizations and plans for the postwar era, has been prepared by the Office of General Counsel, Central Intelligence Agency, as an aid to the better understanding of the present structure and functions of the Agency. While the United States has engaged in intelligence activities since its founding, it was not until the events of the early 1940's showed the need for an efficient, fast-moving intelligence service, that such an organization on a governmentwide basis was conceived and developed. The results of this effort culminated in the formation of the Central Intelligence Agency.<sup>1</sup>

### WORLD WAR II

#### Coordinator of Information

The events which foretold the advent of the second world war provided the impetus for forming a number of Government organizations which later served as the foundation for the United States intelligence activity during the war. By an Executive Order dated 8 September 1939, President Franklin Roosevelt provided for an office for emergency management "in the event of a national emergency" or the threat of one. Such an office was subsequently established on 25 May 1940. By an administrative order of 7 January 1941, the functions of the office were modified and further defined and included advising and assisting the President in time of emergency, coordinating emergency activities of the Government and informing the President as to the various agencies' progress in emergency matters.

Six months later, the forerunner of a centralized intelligence service was established under the Coordinator of Information. William J. Donovan was named to the position. He had authority from President Roosevelt to:

"Collect and analyze all information and data, which may bear upon national security; to correlate such information and data, and to make such information and data available to the President and to such departments and agencies as the President may determine, and to carry out, when requested by the President, such supplementary activities as may facilitate the securing of information important for national security not now available to the Government." 2.

The Coordinator of Information was to have access to information and data within the various departments and agencies but he was not to interfere with or impair the duties and responsibilities of the President's regular military and naval advisers. To assist him, the Coordinator could appoint committees of representatives of the various departments and agencies. Colonel Donovan was to receive no compensation but was entitled to transportation subsistence and other

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Insert before the 1st paragraph on page 10.

Indicative of the type of testimony leading to this comment was that given the Senate Committee on Military Affairs, by General Marshall on October 18, 1945, when he stated:

"Intelligence relates to purpose as well as to military capacity to carry out that purpose. The point, I think, is we should know as much as we possibly can of the possible intent and the capability of any other country in the world. . . .

Prior to entering the war we had little more than what a military attache could learn at a dinner, more or less, over the coffee cups. . . . Today I think we see clearly we must know what the other fellow is planning to do, in our own defense. . . . The important point is that the necessity applies equally outside of the armed forces. It includes the State Department and other functions of the Government, and it should therefore be correlated on that level." *16.*

*16. New York Times, October 19, 1945, p. 3, col. 1. 2. ~~at that~~  
~~As quoted by Mr. Gen. Marshall, Director~~  
~~Central Intelligence, before the House~~  
~~Senate Armed Services Committee,~~  
~~8-10-45, 10-15-45 (10-17)~~*

continuous coordination on a high level within the Government of our domestic, foreign and military policies, for an appropriate intelligence organization to serve both military and civilian agencies of security . . ."

The postwar Congressional investigations into the Pearl Harbor disaster have been cited as one of the compelling reasons for the establishment of the Central Intelligence Agency. As a result of its investigation in December of 1946, the House Committee on Military Affairs issued "A Report On the System Currently Employed in the Collection, Evaluation and Dissemination of Intelligence Affecting the War Potential of the United States," which recognized the need for strong intelligence as the "nation's first line of defense." The Committee made nine recommendations:

Recommendation 1: That the National Intelligence Authority, established on January 22, 1946, by Presidential directive, be authorized by act of Congress (This is designed to give the new authority a firmer base.)

Recommendation 2: That the National Intelligence Authority shall consist of the Secretaries of State, War, and the Navy, or deputies for intelligence. (The Secretaries are obviously too busy to give this highly important subject the attention it deserves.)

Recommendation 3: That the Central Intelligence Group receive its appropriations direct from the Congress. (At present the Group receives its appropriations as grants from the State Department, War Department, and the Navy Department, an unwieldy and sometimes awkward procedure.)

Recommendation 4: That the Central Intelligence Group have complete control over its own personnel. (At present the Group receives drafts from the Departments of State, War, and Navy.)

Recommendation 5: That the Director of the Central Intelligence Group be a civilian appointed for a preliminary term of 2 years and a permanent term of 10 years, at a salary of at least \$12,000 a year.

(A civilian would be less subject to the control or criticism of any military establishment, less likely to have ambitions in another direction, would be more in keeping with American tradition, would be more symbolic of the politico-military nature of the problem posed by intelligence in peacetime; furthermore, there is nothing to keep a qualified Army or Navy officer from accepting the post in civilian clothes, and there is every desire, by setting the tenure of office at 10 years and making the salary substantial, to make the post attractive to one who has learned intelligence thoroughly in the Army, Navy, or Foreign Service of the State Department. Continuity of service is recognized as very important.)

Recommendation 6: That the Director of the Central Intelligence Group be appointed by the President, by and with the consent of the Senate.

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Recommendation 7: That the Director of Central Intelligence shall (1) accomplish the correlation and evaluation of intelligence relating to the national security, and the appropriate dissemination within the Government of the resulting strategic and national policy intelligence, and in so doing making full use of the staff and facilities of the intelligence agencies already existing in the various Government departments; (2) plan for the coordination of such of the activities of the intelligence agencies of the various Government departments as relate to the national security and recommend to the National Intelligence Authority the establishment of such over-all policies and objectives as will assure the most effective accomplishment of the national intelligence mission; (3) perform, for the benefit of said intelligence agencies, such services of common concern related directly to coordination, correlation, evaluation, and dissemination as the National Intelligence Authority shall determine can be more efficiently accomplished contrally; (4) perform such other similar functions and duties related to intelligence affecting the national security as the Congress and the National Intelligence Authority may from time to time direct. It is specifically understood that the Director of Central Intelligence shall not undertake operations for the collection of intelligence.

(This paragraph is intended to enable the Central Intelligence Group to concentrate on the analysis and evaluation of high-level intelligence for the President and others who have to determine national policy. One should not remove any intelligence operation from the agencies where day-to-day policies and decisions have to be made; the collection and basic analysis in each field of intelligence should be assigned to the agency having primary responsibility in that field.)

Recommendation 8: That Paragraphs 2, 4, 5, 6, 7, 8, 9, and 10 of the Presidential directive of January 22, 1946, relating to the establishment of a National Intelligence Authority be enacted into law, with such revisions in wording as may seem necessary.

(The President's directive was carefully prepared and had at the time of its publication, the support of the interested agencies.)

Recommendation 9: That the Army be requested sympathetically to examine further the question of the establishment of an Intelligence Corps for the training, development, and assignment of especially qualified officers.

In July 1946, a draft of enabling legislation for a proposed Central Intelligence Agency (CIA) was sent to the White House by the Central Intelligence Group. It called for a National Intelligence Authority (NIA) consisting of the Secretaries of State, War, and Navy, a personal representative of the President and the "Director of the Central Intelligence Agency" as a non-voting member. The NIA was to supervise the activities of CIA. It was

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provided that CIA was to be established "with a Director who shall be the head thereof." In December a more detailed and comprehensive draft was submitted to the White House which reflected the experience gained after 10 months of operation under the 22 January 1946 Executive Order.

In proposing this legislation CIG attempted to overcome the unworkable features of its charter, one of the most glaring of which was the necessity for CIG to obtain personnel from the State, War and Navy Departments. It was not until well into the summer of 1946 that arrangements were made for CIG to hire personnel directly. Budgetary problems also were very difficult to handle until agreement was reached which established a working fund at the disposal of the CIG. Fortunately for CIG all of the departments and agencies of the Government and particularly the Bureau of the Budget, the General Accounting Office and the State, War, Navy and Treasury Departments, were quick to realize the special administrative problems which arose in the administration and operations of an intelligence agency. They made possible the arrangements which enabled the agency to operate. However, the manner of administrative and logistical support was always considered to be of a temporary nature pending the passage of some form of military unification legislation.

One of the drafts of enabling legislation had incorporated the term "with a Director of Central Intelligence who shall be the head thereof." This particular wording was the same as the terminology in the 22 January directive. Its apparent purpose was to create a post to be filled by an official, responsible for the centralized intelligence functions for the entire Federal Government, with an intelligence agency to assist him.

In January 1947, at the time this proposed legislation was being studied at the White House, President Truman announced that the War and Navy Departments had agreed on a legislative program for unification of the armed services. Shortly thereafter, a serious effort was made to draft unification legislation for submission to Congress. A team consisting of Vice Admiral Forrest Sherman, Major General Lauris Norstad and Charles Murphy, Administrative Assistant to the President, was selected to write the White House version of the National Defense Act of 1947.

The draft which resulted made the CIA the coordinating agency for intelligence, apparently adapting to the intelligence field the example made in earlier military unification proposals, which envisioned a single defense organization to which was attached a number of coordinating agencies, some for inter-military departmental coordination, and others for military-civilian coordination.

The team did not include in their draft many of the more controversial proposals contained in the December CIG draft, probably because of anticipated difficulties in getting them through Congress. Instead, they sought simply to lay down the broad framework of a central intelligence service upon which the detailed organization could later be developed.

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